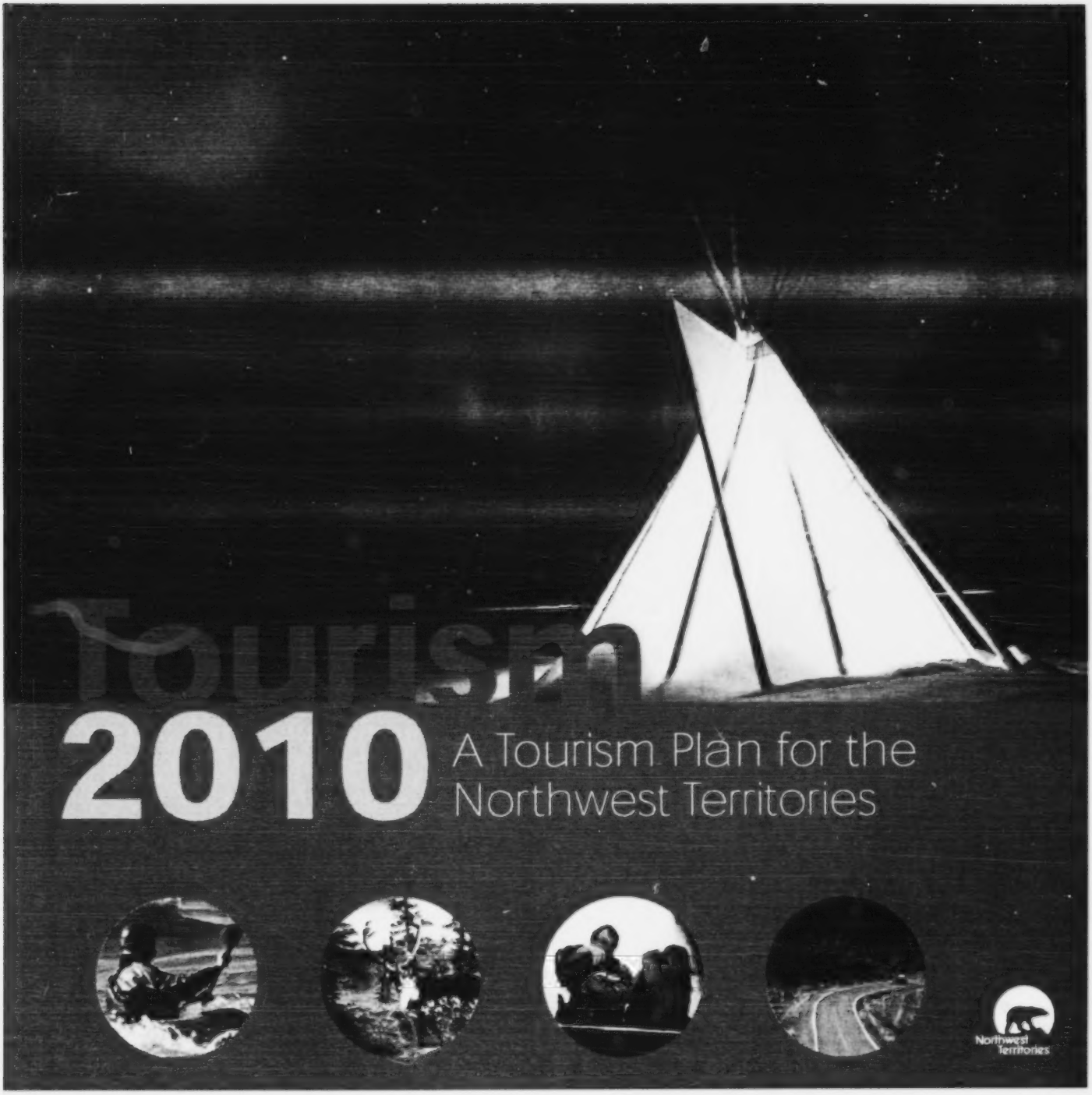
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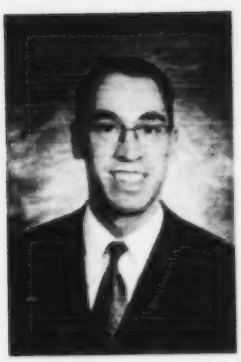


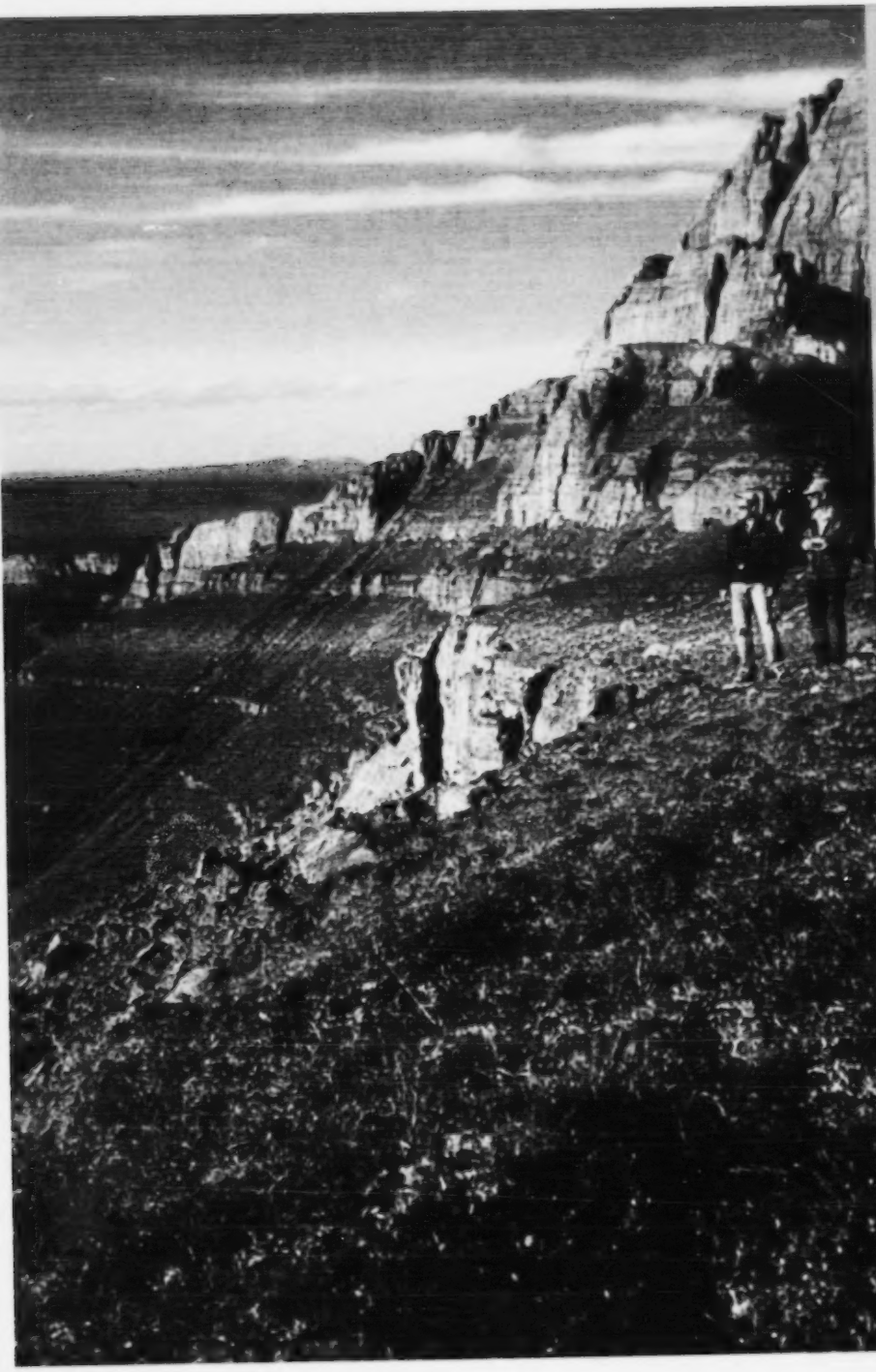
Dear Tourism Partners:

I am pleased to introduce "*Tourism 2010: A Tourism Plan for the Northwest Territories*".

Implementation of this plan will provide opportunities for new and existing tourism operators in communities throughout the Northwest Territories.

Our tourism industry offers enormous potential for growth and development of sustainable small business ventures in every region of the Northwest Territories.

The Honourable Brendan Bell
Minister
Industry, Tourism and Investment



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Industry, Tourism and Investment

Executive Summary

In its 2004 Strategic Plan, the 15th Assembly of the Northwest Territories identified the expansion of the NWT tourism sector as one of its key priorities. *Tourism 2010: A Tourism Plan for the Northwest Territories* outlines the investment and steps that this government is now undertaking to address this priority.

Beginning in the fiscal year 2006, the Department of Industry, Tourism and Investment through its business planning process is proposing an incremental investment of $1 million dollars annually. This funding is intended to leverage an additional investment of $2 million per year from private sector and public partners with a goal to increasing total spending in the tourism sector to $145 million annually by the year 2010.

Identified in this plan are five key areas in which the government proposes to invest a total of $5 million over five years in Marketing, Product Development, Infrastructure, Human Resource Training, and Research and Planning.

Tourism 2010 is a long-term and serious commitment to developing tourism in the Northwest Territories. Investments outlined in this plan will generate returns well beyond the five-year focus of this document.

A healthy economy should be diverse and stand on a foundation of many sectors. In the NWT, tourism offers the potential to fulfill a long-standing vision of increased economic diversity, and a more equitable distribution of wealth to smaller communities, goals that have been identified as priorities in the Government of the Northwest Territories' economic strategy "Economic Diversification – Equitable Access".

The Northwest Territories is in the midst of an unprecedented economic boom driven, primarily, by an increase in non-renewable resource development.

There is potential to fully realize tourism opportunity in the Northwest Territories. Tourism comprises a number of businesses including big game outfitters, fishing operations and outdoor adventure as well as related sectors including transportation, accommodation and food services. Because of this diverse economic base, supporting tourism growth requires an inclusive approach that looks at the individual components of the whole tourism package.

For example, funds are needed for marketing as the Northwest Territories is competing in global markets against bigger players that have more funds for marketing. Equally important, there is a requirement for new and more diversified products to sell internationally. In larger jurisdictions with more financial resources, infrastructure such as museums and other major tourist attractions receive substantial investment of public funds. The NWT must develop these types of additional public attractions in its regions to build sustainable tourism opportunities.

To be globally competitive, NWT tourism operators and their staff require more training so they can provide world-class levels of service to visitors. As with the inter-linked nature of the industry itself, none of these efforts can be successful without the other.

Underlying these efforts is the need for timely and accurate information on markets and industry statistics for marketing and product investment, and to monitor the impact of these initiatives.

Tourism 2010:
A Tourism Plan for the Northwest Territories
sets out the commitment of the Minister of Industry, Tourism and Investment, the Honourable Brendan Bell to enhance tourism in the Northwest Territories by growing the tourism sector from $100 to $145 Million by 2010.

It is a plan that will guide new investment by the Government of the Northwest Territories and its partners to better realize the growth potential in the tourism industry over the next five years.

Tourism 2010 concentrates on enhancing opportunity where risk is sufficiently high as to discourage private investment, to encourage product aimed at leisure visitors and to promote and support development of key leisure markets that are currently underdeveloped.

The plan also addresses the need to improve the information and statistics that industry and government stakeholders need to guide new investment and monitor success.

The vision that guides the Department of Industry, Tourism and Investment also guides this plan:

"To develop a dynamic partnership of industry and government in support of our vital, viable and sustainable industry by marketing tourism and providing support to the tourism operators and communities in the Northwest Territories in a fair and equitable manner."

To do this we need to:

- Put the Northwest Territories on the map as one of the most unique places to visit in the world;
- Foster development of new tourism businesses, helping existing businesses grow, and making it easier for small businesses to find and host guests;
- Generate awareness about the "new north", celebrating different cultures, new governments and the northern way of life;
- Grow the Industry.

The following **principles** underlay the plan:

- The private sector leads tourism development through direct investment and provision of quality products to meet demands;
- Tourism development should support opportunities in all communities in the Northwest Territories;
- Tourism development must respect aboriginal rights, traditions and culture;
- The Government of the Northwest Territories should provide timely and accurate market information to the private sector to facilitate investment for communities and Aboriginal people;
- Government should invest in areas that will provide broad industry benefit, such as parks and attractions to support and stimulate private sector investment, as well as marketing and training;
- Maximizing investment in the tourism sector will require a partnership approach between the Government of the NWT, private sector, and other funding agencies.

To achieve the purpose and the vision of the plan, the following **goals** have been established for realization over the course of the next five years:

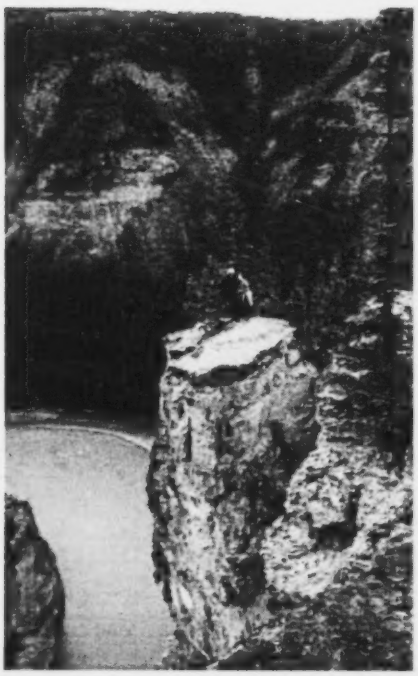
- Increase tourism spending to $145 million by 2010 in partnership with the private sector;
- Increase the number of visitors to the Northwest Territories;
- Diversify tourism opportunities for all Northwest Territories communities and Aboriginal organizations;
- Support the establishment of new tourism ventures and products in communities across the Northwest Territories.

The goals of the plan will be realized by achieving the following **objectives**:

- Increase the value of the Outdoor Adventure, General Touring, European (concentration on German speaking countries) and Japanese markets by $14 million by 2010;
- Increase the number of tourism products and facilities, including those with an Aboriginal and cultural focus;
- Improve the distribution of visitation seasonally (expand season);
- Improve distribution of benefits of tourism by supporting the establishment of new tourism ventures and products in communities across the Northwest Territories;
- Stimulate private sector investment to accommodate anticipated increases in business and tourism travel;
- Increase the number of skilled workers in the tourism industry;
- Provide relevant and timely information on market and industry trends to industry, government and other stakeholders;
- Develop a unique brand image for the NWT as a travel destination;
- Foster development of new tourism businesses, help existing businesses grow, and improve the profitability of tourism operations.

Current Initiatives

The Department of Industry, Tourism and Investment currently invests approximately $7.5 million per year in regional tourism, marketing and parks/ campgrounds. Included in this amount is the maintenance and operations of 35 parks and campgrounds and tourism industry contributions of $1.8 million dollars for pan territorial marketing.



Opportunities and Challenges

Opportunities and assets for the tourism industry in the Northwest Territories include:

- A variety of Aboriginal cultures
- Huge expanse and variety of wilderness, wildlife and world class waterways
- Existing accommodation, transportation, and related infrastructure and tourist products/services
- 2007 Canada Winter Games
- 2008 Arctic Winter Games
- Improved road system across the Northwest Territories
- Well maintained network of parks, campgrounds and visitor centres
- Relatively large proportion of youth represents workforce potential
- Deh Cho Bridge over the Mackenzie River will be completed
- Increasing business travel tied to a strong economic performance*

It is anticipated that business travel will account for approximately $30 million of the projected growth in tourism over the next five years.

Efforts to encourage tourism in the Northwest Territories face a number of challenges in attracting visitors. These include:

- Long distance from major markets
- High cost of airfare
- Direct airline accessibility to European and Asian markets
- Strong labour demand from high paying non-renewable resource sector
- Lack of a distinct identity or brand image
- Relatively few products (tours, etc) catering specifically to visitors
- Few destination attractions
- Limited public infrastructure to support tourism
- Lack of a "service" orientation in our hospitality workforce
- Competition from other national and international tourism marketers

Tourism 2010 Partners

To be fully effective, implementation of the *Tourism 2010* Plan requires the participation of a number of partners. Northwest Territories Tourism will be involved extensively in detailed planning and developing priorities for marketing. The private sector must take the lead in identifying and implementing new products, and make significant investments in basic infrastructure such as hotels that will service both the business and tourism markets. Community and regional groups must be supportive and involved in the planning and development of public tourism-related infrastructure. Other government programs are also available and will be accessed to supplement *Tourism 2010* funding commitments.

The following lists potential partners and possible roles in implementation of the *Tourism 2010* Plan:

Private sector partners involved in planning, delivery, and/or funding:

- Northwest Territories Tourism
- Tourism Operators and Industry

Funding Partners:

- Department of Indian Affairs and Northern Development – Strategic Investments in Northern Economic Development (SINED); and the Targeted Investment (TIF) Funds
- Aboriginal Business Canada
- Canadian Tourism Commission
- Human Resources Development Canada
- Key Wholesalers and Travel Trade in Europe, Japan and North American Markets Partners
- Aboriginal Governments
- Community Governments
- Chambers of Commerce
- Department of Transportation
- Department of Municipal Affairs & Community Development
- Yukon Tourism Education Council
- Canadian Tourism Human Resource Council
- Statistics Canada
- Provincial/Territorial Research Working Group

New Investment

To achieve the objectives of this plan, additional investment will be made in the following areas:

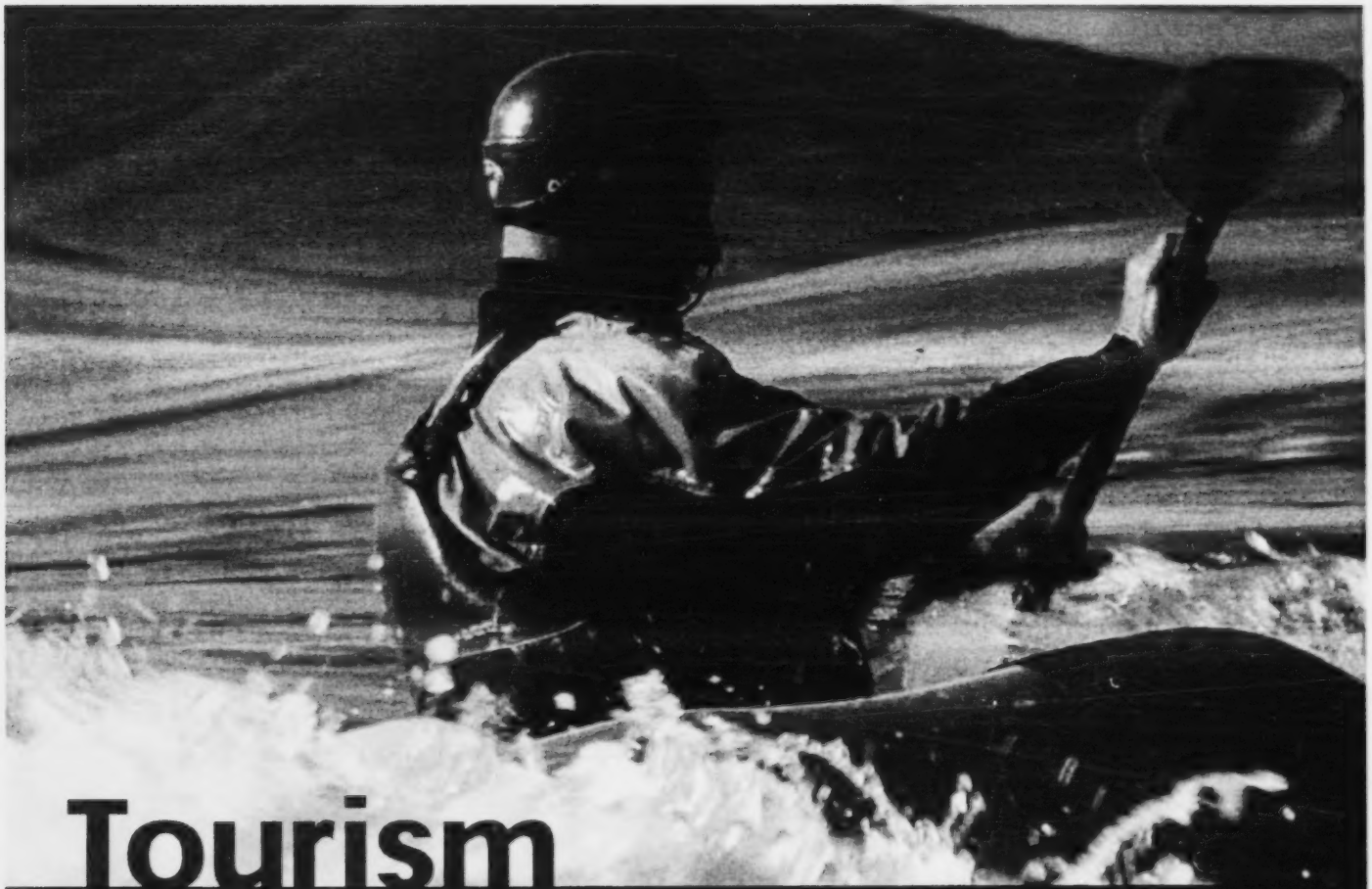
These are the ingredients that will allow the Northwest Territories to meet the objectives defined in this plan. Marketing is the primary driver that will drive up the growth rate in visitation in the four key markets. Increased investment in marketing will attract more visitors; the other four areas will distribute tourism spending more widely across the Northwest Territories and through a greater range of businesses. Investment in expanded and new products and services, infrastructure and attractions, and human resource training will generate returns well beyond the five-year horizon of this plan, and will encourage repeat visitation.

Investment Targets

To achieve success will require the cooperation of industry, government, community and aboriginal partners. The following *table* proposes broad investment targets.

Summary of Investment and Potential Partnerships (in $ thousands)

Investment Targets	ITI	Partners	Total
Marketing	$ 400	$ 800	$1,200
Product Development	$ 125	$ 200	$ 325
Infrastructure	$ 300	$ 600	$ 900
Human Resource Training	$ 100	$ 100	$ 200
Research & Planning	$ 75	$ 300	$ 375
Total	**$1,000**	**$2,000**	**$3,000**



Tourism 2010

An Action Plan for Growing Tourism in the Northwest Territories

The following Action Plans outline proposed initiatives, partnerships, outcomes and proposed investments that will successfully achieve the goals and objectives of *Tourism 2010: A Tourism Plan for the Northwest Territories.*

April 2006 to April 2010

Marketing

The Department of Industry, Tourism and Investment, and Northwest Territories Tourism will expand existing marketing activities in four key leisure markets that have been identified as areas with significant growth potential: RV and General Touring; Outdoor Adventure; Europe (particularly Germany); and Japan.

The funds will be advanced to Northwest Territories Tourism and used to supplement existing NWTT marketing efforts, targeted towards the implementation of a marketing plan.

Actions:

The Department will work with Northwest Territories Tourism's Marketing Committee to:

- Develop a plan to increase marketing activity in the identified growth areas;
- Investigate opportunities for a Northwest Territories presence in Japan.

Outcome:

This additional investment will result in:

- Increased spending of $14 million over the life of the plan by the four key leisure markets (general touring, outdoor adventure, European, and Japanese).
- An increase in the average annual growth rate in spending in these four key markets from 4% to 7% annually.

The base forecast for combined growth in the four key markets is estimated at 4% annually; with additional investment as indicated in this plan, this rate is projected to climb to 7%.

Proposed Investment

The Department of Industry, Tourism and Investment proposes an increase of $400,000 annually to supplement the existing Marketing Plan.

ITI	$400,000
Partners	800,000
Total Annual Investment	**$1.2 Million**

Partners

The Marketing Plan will be lead by industry stakeholders through Northwest Territories Tourism in partnership with ITI and will be seeking other partnership opportunities with:

- Canadian Tourism Commission – Marketing leverage and support for marketing campaign
- Department of Indian Affairs and Northern Development – Strategic Investments in Northern Economic Development (SINED) funds
- ITI Regional Staff – Support with planning and implementation
- Tourism Operators – Co-operative advertising, marketing advice and support
- Key Wholesalers and Travel Trade in Europe, Japan and North American markets – Product-ready marketing and partnerships with NWT tourism operators
- Communities and Aboriginal Organizations

In support of these efforts Northwest Territories Tourism will complete development of the marketing plan, track campaigns and submit reports. Tourism and Parks Division of ITI will assist with timely research to support the plan.

Marketing is the vehicle that will continue to drive the increase in tourism visitation and revenues in the Northwest Territories.

Product Development

Most tourism products are in fact services; lodges "sell" accommodation and ancillary activities to their clients; outfitters "sell" guided experiences or rent equipment to enable their clients to access experiences and activities.

The final product, the experience, is dependent on a number of ingredients for success; these ingredients include properly trained staff, appropriate physical resources (good equipment, attractive accommodations, etc.) effective marketing, and adequate capitalization. A plan to develop products for the travel market must therefore draw in an integrated fashion from other elements of the *Tourism 2010 plan*.

ITI believes that the role of government is to work with the private sector to facilitate product development. The Department will identify critical obstacles to creating new product, or enhancing existing product, and pursue action to overcome these obstacles. In addition, ITI will identify prime opportunities for product development in key sectors with high growth potential. Departmental efforts as proposed here will focus primarily on broad based initiatives that will benefit the industry in general. Assistance to individual businesses is currently available through a suite of programs administered through the Business Development and Investment Corporation, Community Futures Organizations, and ITI. However, many operators have specific needs related to tourism that are not currently addressed by these programs. Examples of such needs include intelligence on how to communicate with and sell products

to the travel trade industry, and information on emerging market demand for new products. Given these specific needs, ITI and its partners will also fund initiatives targeted at individual operators.

One known obstacle to developing new product is the relatively low absolute volume of visitors to the NWT as a whole, and to smaller communities in particular. These low numbers can make it difficult for tourism businesses to justify creating new product. The domestic travel market offers some potential to increase revenue to NWT tourism operators and helps sustain individual businesses, which can also provide services to the export market. Given this potential, ITI and its partners will support initiatives that will tap the potential of the domestic travel market.

Product Development investment will ensure that existing products are enhanced and new products developed.

Actions:

1. Develop a five-year action plan in 2006/2007 that:

- Identifies specific opportunities for product and services with good potential for both the domestic and the export tourism markets (taking the recently completed gap analysis to a more detailed level);
- Pinpoints barriers and obstacles to development of these opportunities;
- Describes actions that government can take to remove or alleviate these obstacles;
- Describes the products and services offered by competing destinations;
- Engages the travel trade industry and encourages development of packages for both the domestic and export tourism markets;
- Recommends, after consultation with industry, the most appropriate tools to address the requirements and needs of businesses to develop and market new products (for example, seminars on product packaging, how to deal with travel trade, etc.);
- Directs the development of community and regional tourism profiles that can be used by clients to identify potential opportunities and to communicate with the market;
- Identifies requirements in other aspects of the *Tourism 2010* plan that can assist in development of new products and tourism experiences.

2. Implement the actions throughtout the timeframe of the *Tourism 2010* plan.

Outcome:

- Five year action plan completed in 2006/2007.
- Specific actions that government can take to enable businesses to overcome obstacles to enhance or new product and services.
- Increase the number of products and services available for tourists, and increase the number of visits, the length of stay and the amount that visitors spend in the NWT.
- Improve the profitability of tourism businesses.

Proposed Investment

ITI is proposing to invest $125 thousand annually in development and implementation of the product development action plan.

ITI	$125,000
Partners	200,000
Total Annual Investment	**$325,000**

Partners

The GNWT will partner with:

- Canadian Tourism Commission
- INAC
- Aboriginal Business Canada
- NWT Tourism and individual tourism businesses

Infrastructure

The Department of Industry, Tourism and Investment proposes to invest funds annually to enhance existing tourism facilities and promote the development of new public tourism infrastructure. A portion of the initial year's investment will be spent identifying and establishing investment priorities for future years and establishing an NWT Infrastructure Priority List.

Actions:

The Department will work with communities and partners to:

- Undertake a regional examination of public tourism infrastructure needs;
- Develop an Infrastructure Investment Plan;
- Develop community support for a regional tourism project in each region.

Outcome:

Build one major tourism attraction project in each region. This will allow communities the opportunity to develop new businesses as a result of the regional attraction. Providing more incentives, facilities and opportunities for visitors to the Northwest Territories will serve to increase the number of businesses actively generating revenues from tourists and increase revenues to existing operators who can take advantage of increased visitation to improved infrastructure particularly in the Northwest Territories' smaller communities.

Proposed Investment

The Department of Industry, Tourism and Investment proposes to invest $300,000 annually to enhance existing tourism facilities and promote the development of new tourism infrastructure. Seventy-five thousand dollars of the initial year's investment will be spent identifying and establishing investment priorities for future years.

ITI	$300,000
Partners	600,000
Total Annual Investment	**$900,000**

Partners

The GNWT will be seeking partnership and funding from:

- NWTI – Advice and marketing
- DIAND – SINED program
- Department of Transportation – Advice and technical support
- Department of Municipal Affairs & Community Development – Land issues
- Aboriginal Governments – Advice and support
- Community Governments – Advice and support
- Chambers of Commerce – Advice and support
- Tourism License Holders – Advice and support
- ABC – Funding partner
- Commercial Institutions – Funding partner
- Not for Profit Agencies – Advice and support

Infrastructure investment is expected to facilitate and encourage the development of more quality tourism attractions and services by the private sector.

Human Resource Training

The Department of Industry, Tourism and Investment will work with industry partners to map out a training program for Northwest Territories residents working or pursuing careers in the tourism industry that will complement *Tourism 2010* and concentrate on the best way to address the tourism sector.

Actions:

The Department will work with the tourism industry and partners to establish a private sector driven tourism-training initiative.

A Request for Proposals (RFP) will be tendered to address the delivery of training programs for the Northwest Territories in the key sectors identified **in Tourism 2010. The RFP will address:**

- The facilitation and regional delivery of professional development workshops and programs that respond to industry needs;
- Promote tourism careers by delivering tourism-training courses in the community high schools throughout the Northwest Territories;
- Facilitate work experience in the tourism sector.

Outcome:

A better-trained workforce and a corresponding increase in tourism awareness will contribute greatly to an overall positive visitor experience and needed support for northern business.

Proposed Investment

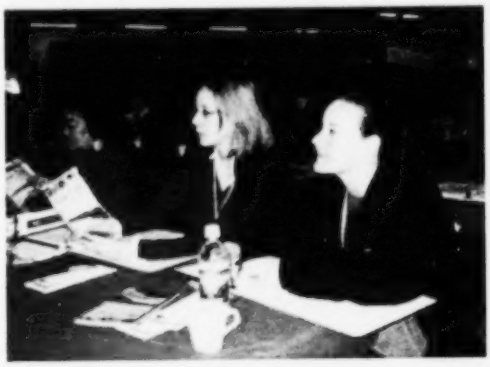
The Department of Industry, Tourism and Investment proposes to invest $100,000 annually to support human resource training in the tourism sector.

ITI	$100,000
Partners	100,000
Total Annual Investment	**$200,000**

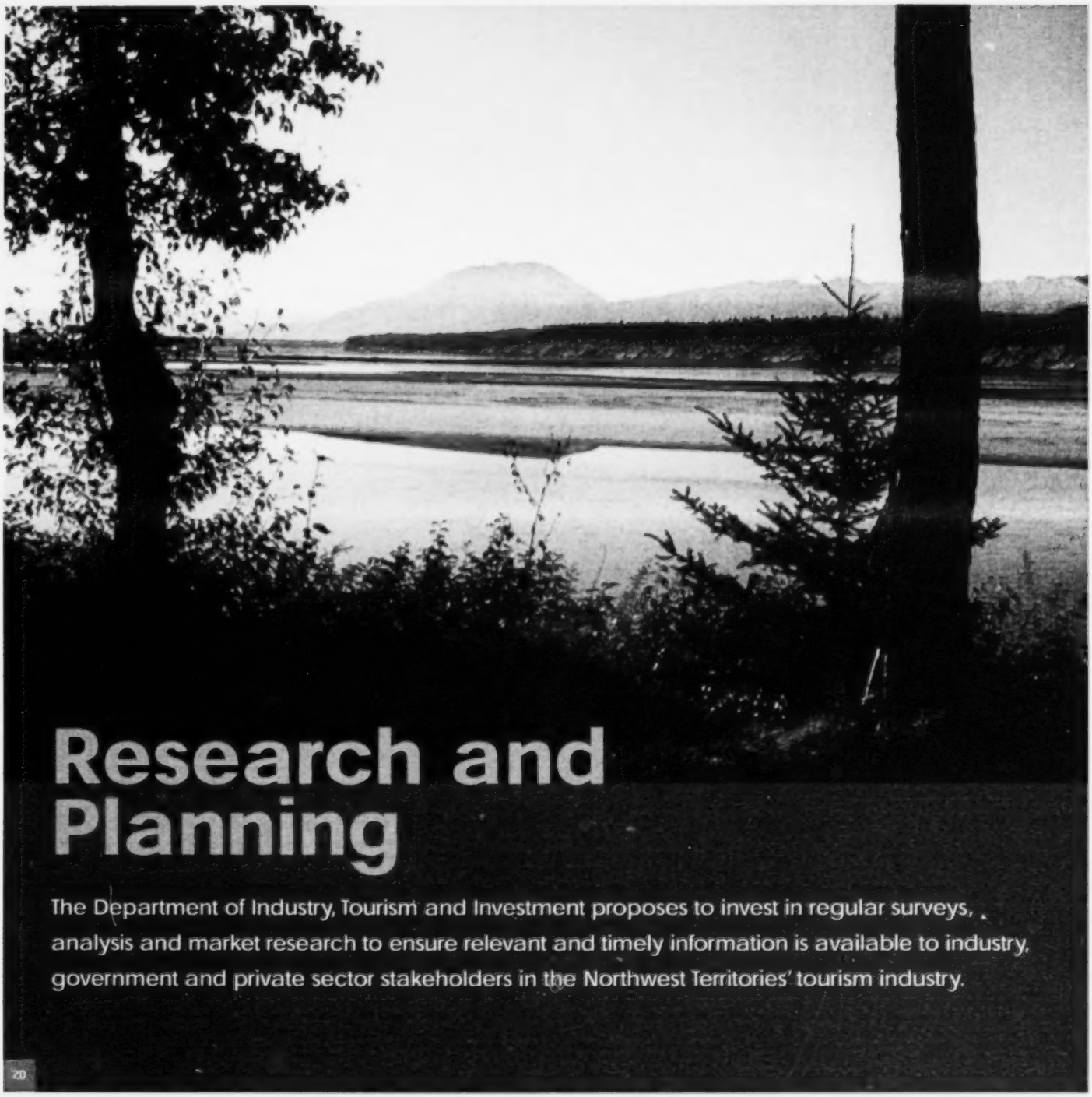
Partners

The Proponent is expected to secure funding from other sources that may include:

- Yukon Tourism Education Council - Certification
- Canadian Tourism Human Resource Council
- Human Resources Development Canada - funding partner
- Aboriginal Business Canada - funding partner
- DIAND
- Other GNWT departments



Human Resource Training is essential to sustain tourism growth and to support the industry.



Research and Planning

The Department of Industry, Tourism and Investment proposes to invest in regular surveys, analysis and market research to ensure relevant and timely information is available to industry, government and private sector stakeholders in the Northwest Territories' tourism industry.

Actions:

The Department will work with partners to:

- Formalize Research Committee;
- Monitor volume and spending patterns of tourists to the Northwest Territories;
- Conduct sector specific studies and research;
- Distribute timely information to the industry and key stakeholders.

Outcome:

Up-to-date information on industry trends and activity levels will allow individual operators to plan effective, timely and well-targeted marketing campaigns while providing rationale and guidance for future investment in the Northwest Territories' tourism industry. Survey results will be published as studies are completed, and distributed to industry stakeholders.

Proposed Investment

The Department of Industry, Tourism and Investment proposes to contribute $75,000 annually for tourism research studies and surveys.

ITI	$ 75,000
Partners	300,000
Total Annual Investment	**$375,000**

Partners

The GNWT will be seeking partnership and funding from:

- NWT Tourism – Partnering on research required for monitoring the effectiveness of their marketing campaigns
- Department of Indian Affairs and Northern Development – Strategic Investments in Northern Economic Development (SINED) funds
- Tourism and Parks division of ITI – Research and support
- Investment and Economic Analysis division of ITI – Assist in research and support
- ITI Regional Staff – Support with research projects
- Tourism Operators – Support and input with research projects
- Canadian Tourism Commission – Partnering on various research projects
- Statistics Canada – Partnering on various research projects
- Provincial/Territorial Research Working Group – Partnering on various research projects

ITI will be able to participate in larger scale projects with the Canadian Tourism Commission and other Provinces and Territories. The results provide NWT research staff with information and data that would otherwise be unavailable.

Research is the basis for strategic planning.

Results

Table 1 summarizes the expected change in value for all markets with new investment.

Incremental new investment in key markets will result in an increase in overall market value of $4.8 million relative to the base case by 2010/2011, boosting the average annual growth rate from 4.1% to 6.8% for the four target markets combined.

Table 1: Expected change in value with new investment (in $ thousands)

Market	2004/2005	2010/2011	Absolute Change	Percent Change	Average Annual Change
VFR*	**$3,190**	**$3,380**	**$190**	**6.0%**	**1.0%**
Fishing	$7,360	$6,930	-$430	-5.9%	-1.0%
Outdoor Adventure	$1,210	$1,630	$420	35.2%	5.3%
General Touring	$6,110	$8,590	$2,480	40.5%	5.7%
European	**$2,550**	**$4,700**	**$2,150**	**84.2%**	**9.6%**
Hunters	$17,290	$17,290	$0	0.0%	0.0%
Aurora Tours	**$12,530**	**$18,850**	**$6,320**	**50.5%**	**6.8%**
Total	**$50,240**	**$61,370**	**$11,130**	**22.0%**	**3.3%**
Business	$50,220	$84,220	$34,000	67.7%	8.6%
Grand Total	**$100,450**	**$145,590**	**$45,140**	**45.0%**	**6.2%**

*VFR - Visiting Friends and Relatives

Table 2 compares the changes resulting from new investment (the proposed case) with the projections for the base case, where no new funds are invested.

Table 2: No new investment case and new investment case values compared (in $ thousands, rounded)

Market	No New Investment Case Market Value 2010/2011	New Investment Case Market Value 2010/2011	Difference	Average Annual Change: Base Case	Average Annual Change: Proposed Case
Outdoor Adventure	$1,300	$1,600	$400	1.0%	5.3%
General Touring	$7,400	$8,600	$1,100	3.2%	5.7%
European	**$4,300**	**$4,700**	**$400**	**8.2%**	**9.6%**
Aurora Tours	$15,900	$18,900	$2,900	3.8%	6.8%
Grand Total	**$28,970**	**$33,780**	**$4,809**	**4.1%**	**6.8%**

Table 3: Cumulative change from 2004/2005 to 2010/2011 (in $ thousands)

Market	New Investment Case Cumulative Value	No New Investment Case Cumulative Value	Change in Value
Outdoor Adventure	$9,700	$8,700	$1,000
General Touring	$50,900	$47,600	$3,300
European	$26,000	$25,200	$700
Japanese	$110,100	$101,000	$9,100
Total	**$196,600**	**$182,600**	**$14,100**

The cumulative change from 2004/2005 to 2010/2011 in value for the four markets for the no new investment case and the new investment cases is presented in *Table 3*.

Based on analysis and results of past marketing initiatives, conversion rates and visitor survey data, the new investment may be expected to result in a total increase in spending of $14.1 million over the forecast period relative to the case where no new investment is made.

Table 4 summarizes the objectives and results for all areas of new investment.

Table 4: Summary of Results by Area of Investment

Investment Area	Objectives	Results
Marketing	To increase the rate of growth in the number of visitors and visitor spending in key market segments	Total visitor spending by 2010 will be $145 million annually
Product Development	To distribute visitor spending more widely among regions, seasons and communities; To improve the profitability and number of tourism related businesses	Investment in 30 to 35 businesses, new or expanded, by 2010
Infrastructure	To attract more visitors to the NWT and entice visitors to stay longer in the NWT	Creation of 1 major attraction in each region (total of five)
Human Resources Training	To spread the benefits of tourism spending more widely through increased employment in the tourism industry; To provide the tourism industry with a well-trained workforce that will improve customer experience	150 people a year, or 750 over the life of the plan, will receive some form of tourism training
Research and Planning	To provide timely and relevant statistics and information on visitors and trends to government and industry	Annual estimates of visitors and visitor spending will be produced for each sector, plus special surveys and research will be conducted in response to industry demand

Appendix A

Definition of Tourism

Unlike other industries that are defined by the products and services they produce (the supply side), tourism is defined by the characteristics of market demand (the demand side). For instance, the steel industry is defined by the steel products they produce. The tourism industry, however, is made up of many businesses that provide goods and services – such as a restaurant – demanded by tourists and non-tourists. A tourism business is defined as an enterprise that realizes a significant portion of its income from tourists, and in fact would cease to operate without expenditures from tourists.

Since the tourism industry is defined as comprising those enterprises that provide goods and services demanded by tourists, the definition of a tourist is critical. The World Tourism Organization defines tourism as

"Activities of persons traveling to and staying in places outside their usual environment for not more than one consecutive year for leisure, business and other purposes not related to the exercise of an activity remunerated from within the place visited."

For Canadians traveling within Canada, the most commonly accepted definition also stipulates that for same-day trips, travel must be to a destination at least 40 kilometres from the usual place of residence. The definition excludes travel for routine business or medical purposes (such as commuting to and from work) including military, diplomatic and airline personnel.

It is important to note that the definition of a tourist extends beyond leisure travelers to include people traveling for business, meetings and conventions, as well as those for whom the primary motivation is to visit friends or family.

National Tourism Trends

Not only have there been significant events affecting international travel, but Canadian tourism itself has been facing challenges never before encountered. West Nile Virus, BSE-infected cattle and the Avian Influenza have plagued our nation's tourism industry resulting in fewer international visitors and shorter stays in Canada. Similarly, circumstances surrounding the fate of our national airline carrier, fluctuating exchange rates and controversial issues like the seal hunt and logging have tarnished the image of Canada.

Tour operators and national tourism marketing agencies are examining and altering the way they conduct business and attract visitors. Strong marketing campaigns and promotional efforts are having a positive impact, and key industry players are shifting their organizational strategies to match the changing business environment. Some larger companies are struggling to make necessary modifications, while many smaller operators are adapting quickly with innovative and creative concepts to redefine and communicate travel opportunities in Canada.

The Canadian Tourism Commission estimates that total overnight travel to the country fell by 12.6%; however, international overnight trips are forecasted to increase annually by approximately 4.6% from 2004 to 2007. The number of trips and the expenditures by Americans increased steadily between 2000 and 2002. However, there was a sharp decline in American tourists in 2003, decreasing from 16.2 million to 14.2 million. The majority of visitors from the U.S. in 2002 were from New York, Michigan and Washington. Recent studies have shown that Canadians are continuing to travel, but are choosing to stay in Canada. Spending by domestic travelers increased 3.3% reaching $36.2 billion, making up almost 69% of total tourism expenditures in 2003.

Correspondingly, this demand for tourism led to the generation of 577,600 jobs across the country in 2003. Demographic trends are also becoming apparent. A large portion of the Canadian and American population is aging, and retiring with a sizeable disposable income. Because this group is retiring, they have more free time and are anxious to travel. The relative proportion of North Americans over 65 will increase significantly by 2025, while the proportion of people between 18 and 44 will decline. Although the proportion of younger people may be decreasing, the population is still very important because they make up the majority of adventure travellers, which is an emerging market segment. This demographic shift has positive implications for marketing and product development.

Table 5: Overnight Travel from Select Countries to Canada (in thousands)

Country	2004	2005	2006
United States	15,022	15,552	16,090
Mexico	161	167	177
United Kingdom	800	832	864
France	323	341	357
Germany	297	314	333
Japan	387	407	427
South Korea	165	177	185
China	102	107	115
Australia	162	168	174

Demand Side

Visitors to the Northwest Territories can be segmented in a number of ways based on travel motivation, origin, age, etc. For the purposes of marketing, NWT visitors can be classified into the following categories:

- Visiting Friends and Relatives (VFR) • Fishing • North American Outdoor Adventure
- North American General Touring • European (primarily German speaking countries)
- Hunting • Japanese • Business

Table 6: Changes in visitation by segment since 2000/2001

	2000-01	2001-02	2002-03	2003-04	2004-05	Average Annual Change
VFR	**6,126**	**6,175**	**7,410**	**7,599**	**7,780**	**6.9%**
Fishing	4,355	4,311	4,268	4,225	4,183	-1.0%
Outdoor Adventure NA	1,480	1,552	1,965	1,841	1,725	4.8%
General Touring NA	6,737	7,068	11,984	11,229	10,522	13.5%
European	**1,896**	**3,727**	**2,400**	**3,221**	**2,957**	**7.4%**
Hunters	1,300	1,400	1,380	1,117	1,279	-2.6%
Aurora Tours	13,000	6,500	9,000	9,990	10,245	0.5%
Total Leisure	**34,894**	**30,733**	**38,407**	**39,223**	**38,691**	**4.5%**
Business	16,876	18,313	19,014	20,725	22,591	7.1%
Grand Total	**51,770**	**49,046**	**57,421**	**59,948**	**61,282**	**5.4%**

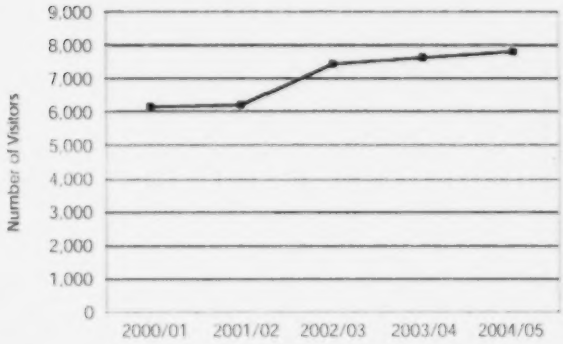
Overall, leisure visitation has grown at an average annual rate of 4.5% and business visitation grew at just over 7% on an average annual basis. However, the rates of change have varied widely among the various leisure segments, and the patterns of change vary as well. Each segment is discussed in more detail on the following pages.

Visitor Spending

Visiting Friends and Relatives

The number of people visiting friends and relatives is strongly dependent on changes in the non-aboriginal population of the NWT. The changes in this segment roughly mirror growth in this population segment, especially changes resulting from migration into the NWT. As the economy attracts new migrants, we can expect to see an increase in people coming to visit family and friends.

Figure 1: Visiting Friends and Relatives - Visitation



Fisher Visitors

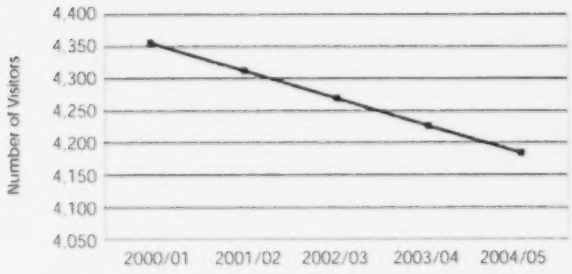
Fisher numbers have shown a slow decline of around 1% per year since 2000/20001. This downward trend is reflective of a general decline in consumptive tourism.

The rate at which older enthusiasts are leaving the market is greater than the replacement rate by new fishers, resulting in a slowly shrinking market.

The fisher segment comprises two sub-segments that are quite distinct: independent fishers, and package fishers.

The first subset, independent, is more likely to be Canadian, younger, and drive to the NWT, and will spend much less on their total trip than package fishers, who are more likely to be older, American, and to fly to the NWT, and will spend much more on their total trip than independent fishers.

Figure 2: Fishers - Visitation



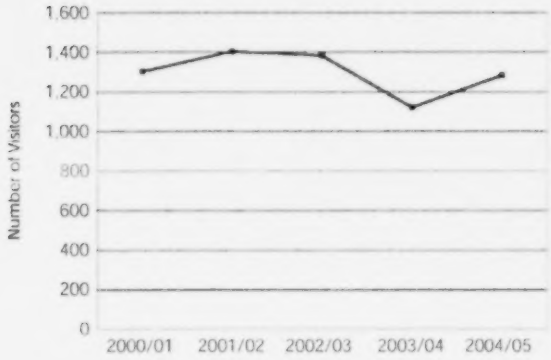
Hunter Visitors

Hunter numbers have fluctuated around 1200 over the past five years.

The sector comprises mostly wealthy American males; the very high-income characteristic of this group acts as an insulator against the impact of economic performance as driver of visitation (generally, travel is positively correlated with economic growth for any specific geographically or demographically defined group).

The decline in numbers in 2003/2004 may be associated with Canada's refusal to lend support to the US invasion of Iraq.

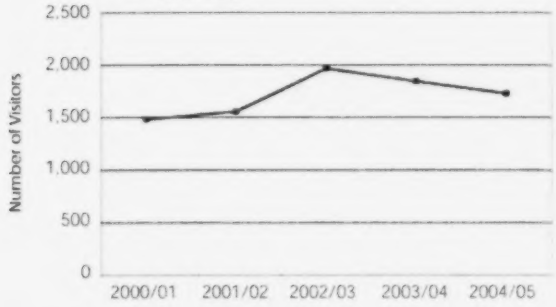
Figure 3: Hunters – Visitation



North American Outdoor Adventure Visitors

The North American outdoor adventure segment saw a boost in numbers in the season following September 11 likely as part of the general North American travel trend to stay closer to home which the terrorist attacks induced. This segment includes both independent and package visitors.

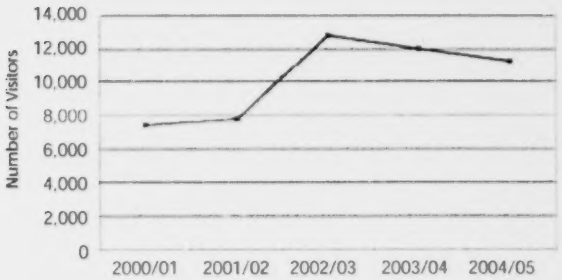
Figure 4: North American Outdoor Adventurers – Visitation



North American General Touring Visitors

The North American general touring segment is dominated by road tourists, and within that sub-segment, the older RV group is becoming increasingly dominant. The events on September 11, 2001 caused a drastic fall in North American travel overseas, and resulted in increased visitation closer to home. The NWT benefited from this increased domestic North American travel as evidenced from the dramatic increase in visitation from the US and Canada in the prime travel season following 9/11.

Figure 5: North American General Touring - Visitation



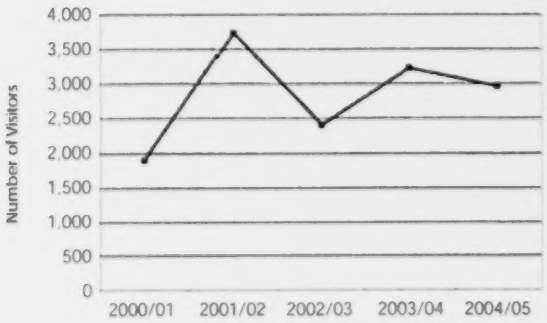
German Speaking European Visitors

European numbers to the NWT received a boost from the influx of Germans visiting the Yukon following the introductions of direct charter flights from Germany to Whitehorse.

This new direct connection and intensified marketing of the NWT in Germany and the travel trade serving the Yukon German market resulted in a dramatic increase in the number of Germans visiting the NWT by renting vehicles in the Yukon and driving the Dempster Highway to Inuvik.

However, 9/11 dampened European travel internationally, and the NWT felt this impact in 2002/2003. Numbers have recovered, but not to the levels seen prior to the summer of 2001.

Figure 6: German-Speaking European - Visitation



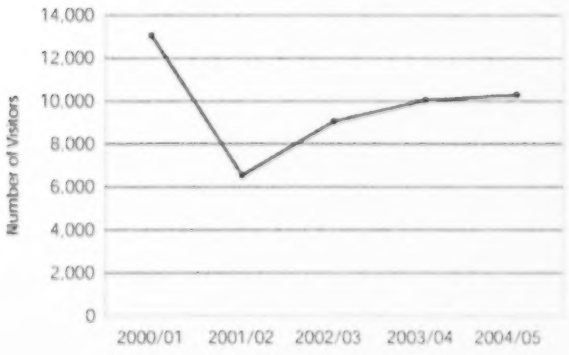
Japanese Visitors

Japanese visitors come to the NWT primarily to see the Aurora Borealis, but a number of other attractions have developed in response to this market such as snowshoe, snowmobile and dogsled tours.

This market is important because it helps fill the normal winter visitation void. Japanese visitation suffered a serious blow from September 11, 2001, SARS and world unrest; the number of Japanese visitors declined by half in the season following.

The market has since seen a steady recovery.

Figure 7: Japanese Visitation



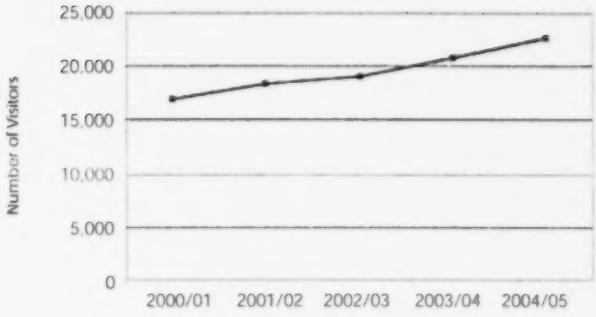
Business Visitors

Business travel to the NWT reflects the pace of economic growth.

As the economy grows, the demand for outside services also grows; as well, as our economy grows, we become more attractive for outside investment.

Business travel is especially important to the air transportation and accommodation industries; business travelers tend to spend much more on the services offered by these industries relative to general touring visitors.

Figure 8: Business – Visitation



Spending of Visitors by Segment

For 2004/2005, the value of the non-resident tourism industry was estimated at just over $100 million. *Table 7* illustrates spending by segment.

Table 7: Visitor spending

Segment	Spending (in $ thousands)
VFR	**$3,190**
Fishing	$7,360
Outdoor Adventure	**$1,210**
General Touring	$6,110
European	**$2,550**
Hunters	$17,290
Aurora Tours	**$12,530**
Business	$50,220
Total	**$100,450**

Supply Side

The primary industries involved in tourism in the NWT, generating the largest share of tourism spending, are transportation, accommodation, attractions, and food and beverage services. Another four sectors appeal more specifically to tourists: adventure and recreation services, events and conferences, travel trade, and tourism services.

Approximately 322 tourism businesses were identified in the NWT Tourism Product Inventory and Gap Analysis in 2005.[1] Based on the primary good or service, these businesses were distributed among the eight industry sectors as presented in ***Table 8***.

Table 8: Number and proportion of NWT tourism businesses by sector

Sector	Total	%
Accommodation	**83**	**26%**
Food and Beverage	35	11%
Transportation	**50**	**16%**
Attractions	35	11%
Adventure/Recreation	**85**	**26%**
Events/Conferences	12	4%
Travel Trade	**15**	**5%**
Tourism Services	7	2%
Total	**322**	**100%**

In terms of employment, the seasonal nature of many tourism-related jobs makes it difficult to estimate the actual number of people employed. Similarly, because tourism is not an industry in terms of the way our economy is accounted for, official statistics on total wages generated by tourism are difficult to assess. However, the GNWT Bureau of Statistics has estimated total wages, salaries and full-time equivalent person years of employment for the following industries that derive a significant portion of their income from tourism:

Table 9: Wages, salaries and person years of employment from tourism

Sector	Wages and Salaries	Person Years of Employment
Air Transportation	**$33.5 million**	**720**
Accommodation and Food Services	$40 million	1,521
Arts, Entertainment and Recreation	**$4 million**	**165**

1 "NWT Tourism Inventory and Gap Analysis", Centre for Tourism Research, School of Tourism, University College of the Caribou, 2005

Major Drivers and Trends

Demographic shifts

In 2000, the median age of the world population was 26.5, and it is expected to climb to 36.2 by 2050. In more developed regions, the 2000 median age of 37.4 years is expected to grow to 46.4 years by 2050; in less developed countries, median age will increase from 24.3 to 35 years. In 2000, Japan, Italy, Switzerland, Germany, and Sweden had median ages of 40 or more. Spain is projected to have the oldest median age, 54 years, by 2050. Canada's median in 2001 was 37.6.

In 2000, 420 million people (or 6.9 percent of the population) were aged 65 and over; by 2050, the 65+ population will grow to nearly 1.5 billion people. Between 2000 and 2050, the ratio of elderly persons to working age persons (aged 15-64) will double in more developed regions and triple in less developed regions. The proportion of children (aged 0-14) is expected to decline from 30 percent in 2000 to 21 percent in 2050.

Within Canada, as the population ages migration into the country will become an important source of growth. As time goes on, the Canadian population will become increasingly characterized as a nation dominated by two large population segments: a younger group of heterogeneous ethnic background, and an older more culturally homogenous group (ageing baby boomers). A similar demographic shift will occur in the US, however, people of Hispanic and African -American descent will become increasingly dominant in the population mix.

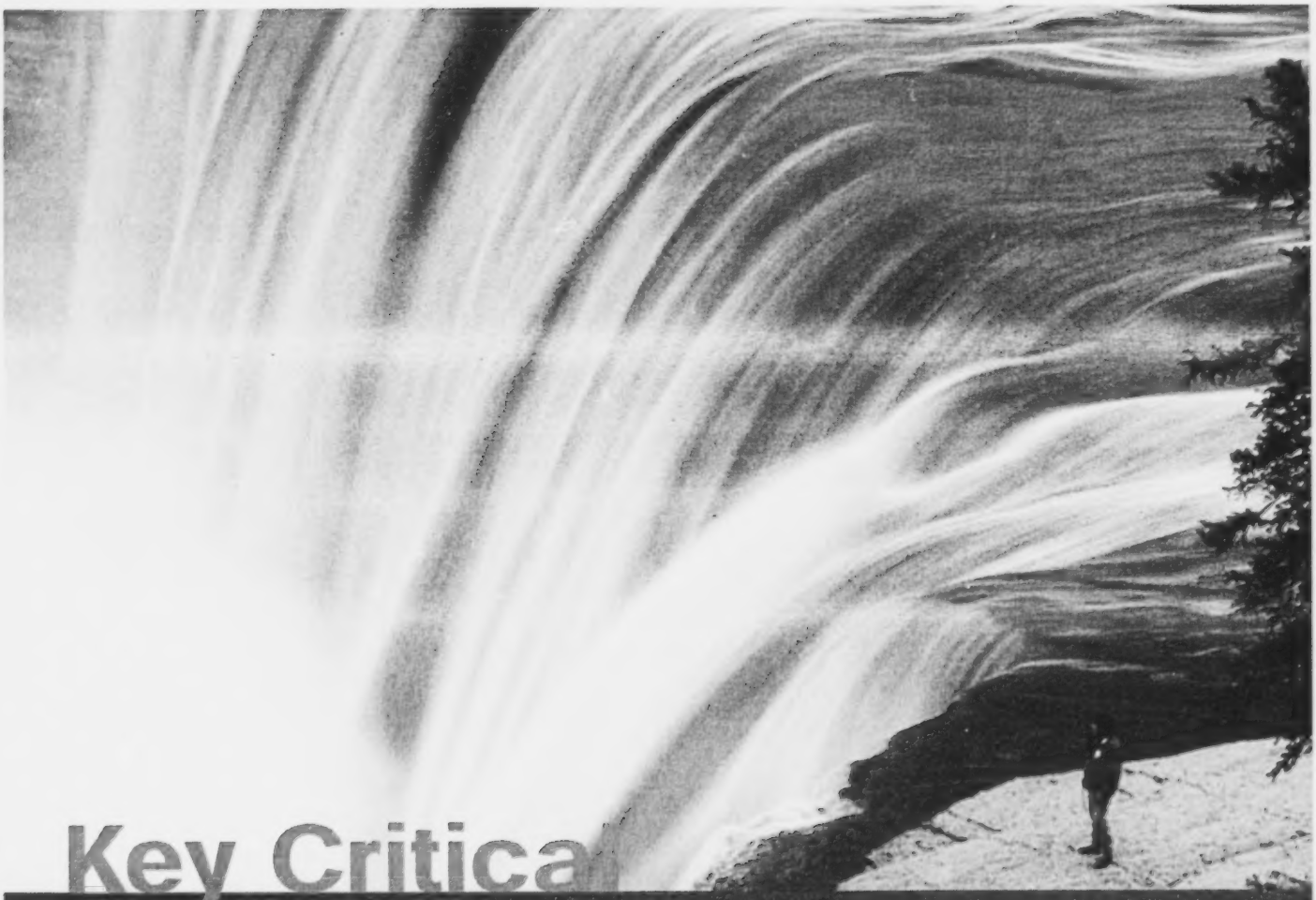
These demographic shifts have implications for tourism products, and for marketing. In the short term, what will the older market look for in travel destinations? In the long term, what will be the travel interests of a younger, more ethnically diverse Canadian and US tourist market?

Economic Conditions

In the leisure travel market, travel is a luxury good that is positively correlated with increases in real disposable income. The frequency of business travel also reflects positive economic conditions; one of the first causalities of a business slowdown is travel. Forecasting changes in the economic conditions of current and potential markets can guide investment in marketing and product development.

Geographic Conditions

Proximity is major determinant of travel, since people generally take trips more frequently close to home. Distance is generally an impediment to travel. In fact, domestic tourism (tourism generated by residents) is usually the largest tourist segment by volume for most jurisdictions. For the Northwest Territories, the importance of proximity can be observed in the prominence of Alberta, British Columbia and Pacific US state residents in our visitor mix. However, base population size is also an important consideration. Hence the prominence of Ontario residents in our market mixes despite the province's relatively long distance from the NWT.



Key Critical Market Segments

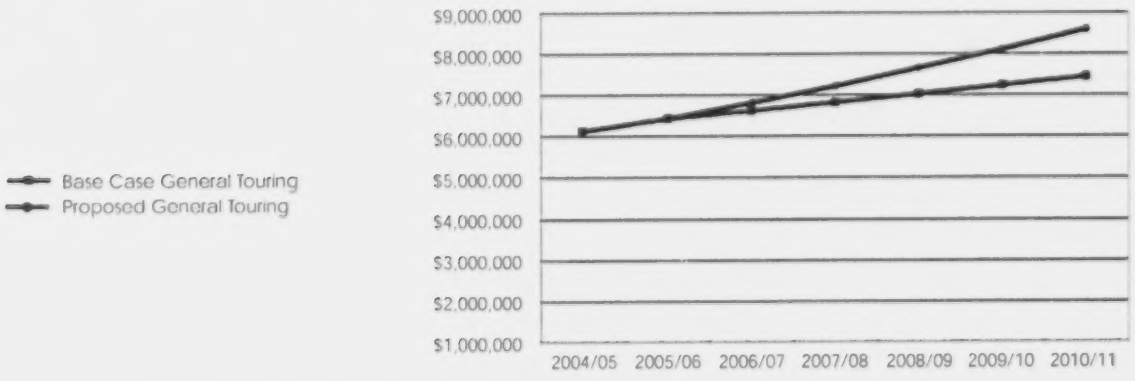
To address these challenges and take advantage of our opportunities, the following markets have been identified as particularly important to the NWT. Each is discussed briefly, and a forecasted market value to 2010/2011 is compared for a base case, assuming no new incremental investment in the NWT industry, with a proposed case, assuming levels of investment detailed earlier in the plan.

RV and General Touring

Because of our distance from major visitor markets, the Northwest Territories is primarily a long haul destination. For the general touring market, our focus must be on those travelers who have the time and money to take long haul vacations (defined as trip of 7 or more nights). In fact, this segment is growing as baby boomers retire, and are purchasing RV's and taking long trips across North America. However, we will need additional marketing dollars to take full advantage of this trend, and we will need to develop the product required to attract RV travelers, primarily RV-friendly campgrounds. Major improvements in the road system will be a definite asset in attracting larger numbers of RV travelers.

The potential for growth in this market is shown below, comparing the base case with no new investment, and the proposed case for additional investment. With new investment, we expect that the spending by this market in the NWT will increase from $5.7 million to just over $8 million by 2010/2011, primarily as a result of increases in RV traffic. Without new investment (the base case), the value of this market is expected to be just under $7 million by our target date. These increases represent an average annual growth rate of 3.2% for the base case, and 5.7% for the new investment (proposed) case.

Figure 9: General Touring Spending: Base vs. Proposed Case



Outdoor Adventure

Adventure travel is characterized as outdoor leisure activity in unusual, exotic and/or wilderness locations, and is the fastest growing tourism market in the world today. This group can be divided into hard and soft adventurers.

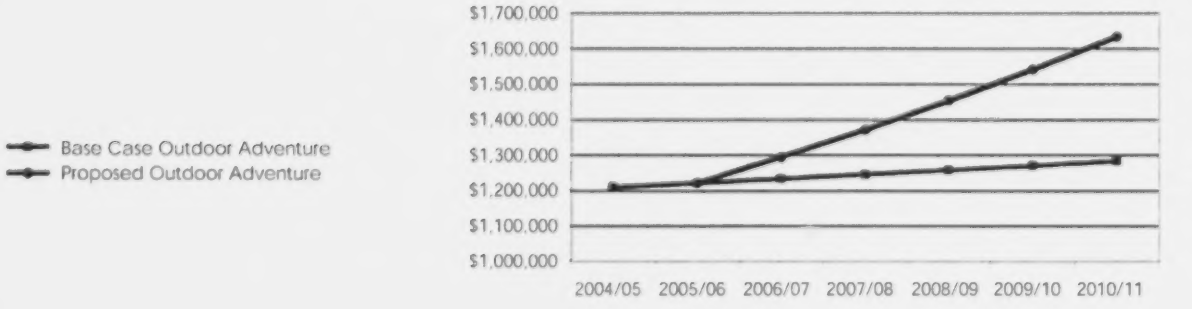
Hard adventure is physically challenging and usually attracts the younger demographic, such as white water kayaking on the Slave River.

Soft adventure, which attracts affluent retirees or older adults, is less physical and usually focuses on history, nature and wildlife viewing, culture and crafts such as the cultural tours offered in the Mackenzie Delta communities.

Many of the activities of interest to adventure travelers can be developed within the NWT. We certainly have the basic ingredients to succeed and if appropriately developed, adventure travel could become a significant source of NWT tourism revenue.

Without new investment (base case), revenue from the outdoor adventure market is estimated to grow by an annual average rate of 1%, from $1.2 million in 2004/2005 to $1.28 million in 2010/2011. With new investment (proposed case), the annual average growth rate is estimated at 5.3%, increasing to $1.6 million in five years. See ***Figure 10*** for a comparison of the base and proposed case.

Figure 10: Outdoor Adventure Tourist Spending: Base vs. Proposed Case



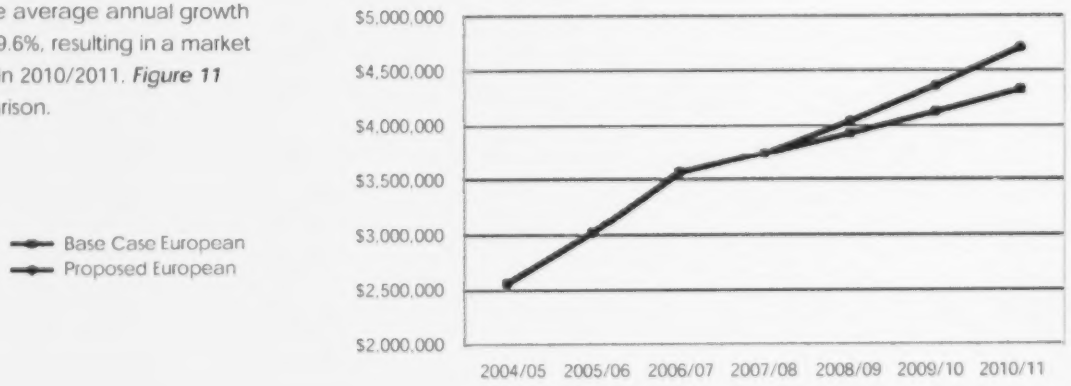
German-Speaking Europe

Germany is the world's foremost outbound market in terms of number of travelers in relation to the total population. Holiday travel is a higher priority for Germans than most consumers and German workers enjoy roughly six weeks annual leave each year and many receive bonus holiday payments. Influences on German travel consumer behavior include increasing importance of the 45+ age group, interest in fitness and wellness, and economic conditions. German travelers express a desire to expand their horizons and increasingly turn to long-haul travel destinations.

The NWT has benefited from direct flights from Germany to Whitehorse, along with a Northwest Territories Tourism contracted General Service Agent based in Austria. The direct flights effectively closes the distance for Germans wishing to drive the Dempster Highway. The Inuvik region has the highest number of German visitors in the NWT primarily because of this situation. German speaking Swiss visitors and visitors from Holland are traveling to the NWT in increasing numbers and the market can be expanded. The German market has a strong interest in wilderness and aboriginal based products. The General Services Agent travels to the German Speaking countries attending consumer and trade shows, working with European wholesalers and giving presentations promoting the Northwest Territories.

Without new investment, growth in revenue from this market is estimated at an annual average rate of 8.2% from 2004/2005 to 2010/2011, resulting in an increase in spending from $2.55 million to $4.32 million. With new investment (proposed case), the average annual growth rate will increase to 9.6%, resulting in a market value of $4.7 million in 2010/2011. ***Figure 11*** illustrates this comparison.

Figure 11: European Spending: Base vs. Proposed Case



Japanese

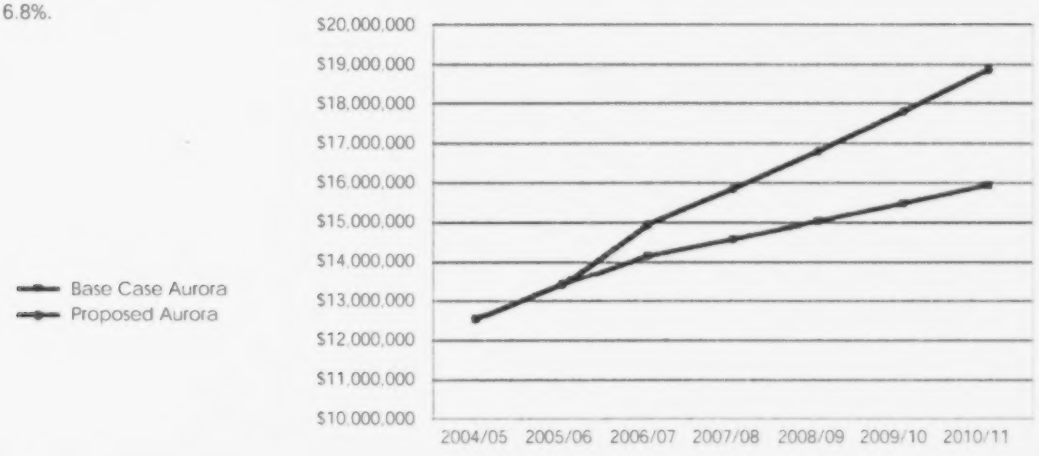
A major tourism success story during the last decade in the Northwest Territories has been Aurora Tourism. Japanese visitors now comprise the largest portion of non-Canadian visitors to the territory. In the winter of 2004/2005, over 10,000 Japanese visited the NWT between August and the end of April, primarily attracted by the Aurora Borealis.

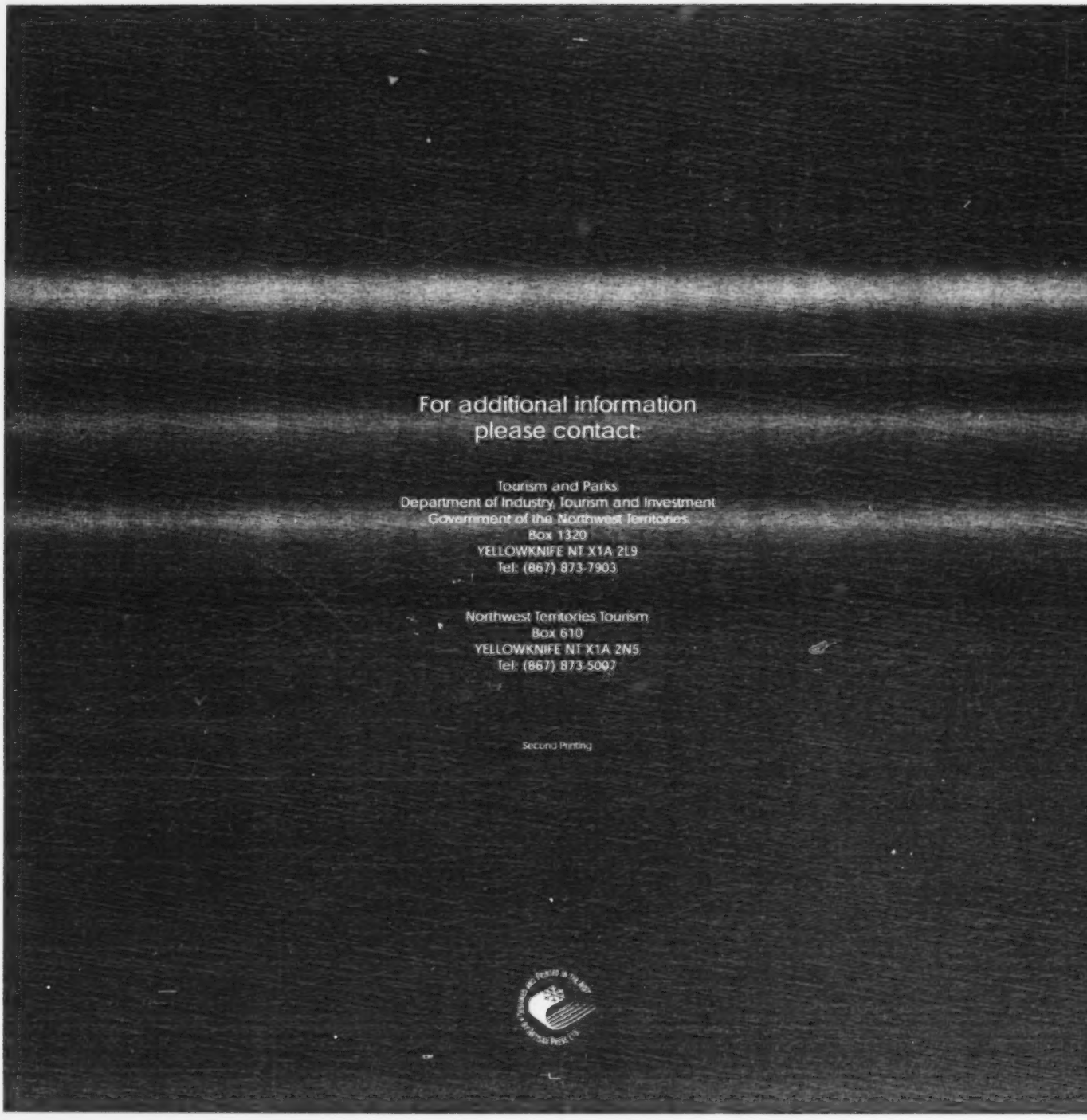
Traveling during winter, normally the off-season for tourism in the rest of Canada, the Japanese make an important contribution to the NWT economy, spending over $12 million in 2004/2005. However, as mentioned earlier, Japanese tourism has proven vulnerable to events beyond the control of NWT tourism operators including September 11 and the SARS outbreak. Still, tremendous growth potential remains in this market, which has proven amenable to concerted marketing efforts in the past.

The Japanese market is particularly receptive to aboriginal product, especially those products grounded in nature-based experiences.

Without new investment (base case), the value of Japanese market is estimated to grow from $12.5 million in 2004/2005 to $15.9 million by 2010/2011, representing an annual average growth rate of 3.8%.
With new investment (proposed case), the value of this market is projected to be $18.85 million in 2010/2011, growing at annual average rate of 6.8%.

Figure 12: Japanese Spending: Base vs. Proposed Case





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